

ILLINOIS DEPARTMENT OF REVENUE
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY82-16

TO: Sellers of Graphic Arts Machinery and Equipment

SUBJECT: Graphic Arts Production Machinery and Equipment Exemption

Effective November 12, 1981, Public Act 82-683 (SB 257) provides a phased State and Local sales tax exemption for machinery and equipment purchased for use primarily in graphic arts production. The statute defines graphic arts as the business of printing "by one or more of the common processes or graphic arts production services as those processes and services are defined in Major Group 27 of the U.S. Standard Industrial Classification Manual." Counties and municipalities which impose a local sales tax may, by local action, reimpose their portion of the exempted tax.

The instructions contained in this bulletin should be used when the taxpayer completes his RR-1-A return for November, 1981 liability month.

Purchases of new, used or special-ordered machinery and equipment, certified by the purchaser to be used primarily in graphic arts production will qualify for the exemption. Qualified machinery and equipment purchased for lease are also exempt. The purchaser must issue a certificate of exemption to the seller to be retained by the seller in his books and records. The following language will be accepted as a certificate of use: "I, _____, certify that the machinery and equipment being purchased will be used primarily or leased for use primarily in graphic arts production." The certificate must also include purchaser's name and address, seller's name and address and the purchaser's signature.

The exemption is phased in over approximately three years. The percentage of the sale price exempt from tax and the time periods to which these percentages apply are as follows:

November 12, 1981 through December 31, 1982	- 31.25% of the sale price
January 1, 1983 through December 31, 1983	- 56.25% of the sale price
January 1, 1984 through December 31, 1984	- 81.25% of the sale price
After December 31, 1984	-100.00% of the sale price

The date of delivery of an item of machinery or equipment will be deemed to be the date of sale and the exemption percentage in effect on that date will determine that the tax due on the purchase of that machinery or equipment. Partial payments made prior to November 12, 1981 for equipment delivered on or after that date will not qualify for the exemption.

occurring before November 12, 1981 NOT be included in the calculation of the exempt amount claimed during the November liability month.

HOW TO REPORT EXEMPT SALES

ALL ILLINOIS VENDORS SELLING MACHINERY AND EQUIPMENT qualifying for this exemption should include the total receipts from sales of tangible personal property and service (including tax collected) in Item 1, of Column 3, Pages 2 and 4 of the RR-1-A reporting return. In Item 2(k) or 2(1), identify and enter the exempt amount of receipts from sales of graphic arts machinery and equipment to be deducted from taxable receipts.

VENDORS SELLING TANGIBLE PERSON PROPERTY TO SERVICEMEN who in turn will transfer such property as an incident to special order machinery and equipment sales should report Service Occupation Tax due on the taxable portion of the sales in Item 3, Column 3.

ILLINOIS SERVICEMEN COMPUTING SERVICE OCCUPATION TAX DUE ON SPECIAL ORDER SERVICE SALES of machinery and equipment should report in Item 10, Column 2, tax due on the cost of the taxable portion of the tangible personal property transferred as incident to the special order service.

VENDORS SELLING MACHINERY AND EQUIPMENT TO ILLINOIS USERS FROM LOCATIONS OUT-SIDE ILLINOIS should report the Use Tax due on the taxable amount of receipts from such sales in Item 5, Column 3.

OUT-OF-STATE SERVICEMEN SELLING SPECIAL ORDER SERVICES TO ILLINOIS USERS should enter the Service Use Tax due on the taxable cost portion of the tangible personal property transferred as an incident to the service in Item 11, Column 3.

ILLINOIS USERS BUYING MACHINERY AND EQUIPMENT FROM OUT-OF-STATE UNREGISTERED VENDORS should enter in Item 6, Column 2, the Use Tax due on the taxable portion of the purchase price of such tangible personal property.

ILLINOIS USERS BUYING SPECIAL-ORDERED MACHINERY AND EQUIPMENT FROM UNREGISTERED OUT-OF-STATE SERVICEMEN should report Service Use Tax due in Item 12, Column 3, on the taxable portion of the seller's cost price of tangible personal property transferred as an incident to the special order service. If the seller's cost price is either unknown or unavailable, the Department will accept the taxable portion of 50% of the gross purchase price paid to the servicemen.

NOTE: Retailers and servicemen whose business locations are in municipalities and counties that have reimposed the local tax should compute such local tax on 100% of receipts of retail sales and/or cost of tangible personal property transferred as an incident to special order service.

Adherence to these instructions will insure proper tax credit for the exempt amount of receipts from sales of machinery and equipment to persons engaged in graphic arts production.

If you have any questions regarding the information provided, please

contact the Department of Revenue. If you are in Cook County, call 641-2150. Persons elsewhere in Illinois may call the Department's toll free number 800-252-8972. Out-of-State taxpayers should call 217-782-3336.

J. Thomas Johnson
Director

Issue Date:

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